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PROTECTIONISM AND STRUCTURAL ADJUSTMENT

Information provided by States members of UNCTAD for the annual review by the Board on protectionism and structural adjustment

Note by the UNCTAD secretariat

Addendum

Since the preparation of TD/B/1283 the attached information has been received from the Union of Soviet Socialist Republics. The terminology is that of the original source.

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CHANGES IN THE USSR's TRADE REGIME

A. Economic policy measures

I. By a decree of 24 July 1990 entitled "Introduction of changes in the Soviet Union's foreign economic practice", the President of the USSR ordered that:

The USSR Council of Ministers shall arrange for the change-over to settlements at world prices in freely convertible currency in economic relations with the other CMEA member countries with effect from 1 January 1991;

In implementing measures to promote further economic co-operation with the developing countries, it shall build such co-operation on the principles of mutual advantage and mutual interest, being guided in this by international standards and practice. Economic assistance should be provided having regard to the Soviet Union's real capacities;

The USSR Council of Ministers and the Councils of Ministers of the Union Republics, in making every possible use of new forms of economic interaction with foreign countries, shall arrange to provide conditions for the broad participation of enterprises and their associations in foreign economic links with a view to building up the export potential and enhancing the effectiveness of economic, scientific and technical co-operation.

II. With a view to meeting the priority requirements of the economy and the needs of the population, making effective use of foreign exchange resources and also providing for the guaranteed fulfilment of the USSR's obligations in regard to repayment of the external debt, the President of the USSR, in a decree of 2 November 1990 entitled "Special arrangements for the use of foreign exchange resources in 1991", ordered that:

A Union-Republican foreign exchange fund shall be constituted out of revenues from the export of products (work, services) by enterprises, associations and organizations, except enterprises employing foreign capital;

A Union-Republican foreign exchange committee shall be set up to manage the building-up and use of the country's foreign exchange resources;

This committee shall have responsibility for:

- formulating and co-ordinating foreign exchange and import policy;
- allocating resources from the Union-Republican fund;
- supervising arrangements to meet the USSR's obligations in regard to debt repayment;
- drawing up measures to develop the country's export base;

To ensure repayment of the USSR's external debt in 1991 it shall be compulsory for enterprises, associations and organizations, regardless of form of ownership or departmental or territorial affiliation (except enterprises employing foreign capital), to sell 40 per cent of the foreign exchange earnt from exports to the USSR Bank for External Economic Relations, with payment to be made in roubles at the commercial rate of the USSR State Bank (Gosbank);

Enterprises' foreign exchange funds shall be made up of the foreign exchange earnings remaining after the compulsory sale of foreign currency to repay the external debt, taking account of the norms applicable in 1990 for levies in freely convertible currency payable on exports;

After the compulsory sale of foreign currency to repay the external debt and the formation of their own foreign exchange funds in accordance with the established norms, enterprises shall sell 90 per cent of the remaining foreign exchange earnings to the Union-Republican foreign exchange fund and 10 per cent to the foreign exchange funds of the Union Republics and local Soviets of People's Deputies, with payment to be made in roubles at the USSR Gosbank commercial rate.

III. A Soviet presidential decree of 26 October 1990 entitled "Foreign investment in the USSR" specifies that foreign investors (juridical persons or private individuals) may make investments in the territory of the USSR by means of:

- shared participation in enterprises organized jointly with Soviet juridical persons or private individuals;

- acquisition of property, shares or other securities;

- acquisition independently or with the participation of Soviet juridical persons or private individuals of the right to use land and other property rights, including leasing rights, in accordance with the laws of the USSR and of the Union and Autonomous Republics.

Investors (juridical persons or private individuals) may set up enterprises in USSR territory in which foreign investments constitute 100 per cent of ownership. Such enterprises shall be juridical persons under Soviet law.

It is also envisaged that the profits earned by foreign investors in the USSR in Soviet currency may be freely reinvested and used in USSR territory in accordance with the laws of the USSR and of the Union Republics.

IV. A commercial rate for the rouble against foreign currencies, based on a ratio of 1.8 roubles to one United States dollar, was introduced with effect from 1 November 1990 by a Soviet presidential decree dated 26 October 1990 with a view to providing greater economic incentives to and enhancing responsibility of enterprises and organizations for the results of foreign economic activities, stimulating exports and rationalizing imports, creating effective machinery for the redistribution of the country's foreign exchange resources and taking practical steps towards rouble convertibility in connection with the transition to market relations. This rate is to be used in settlements relating to foreign trade operations, foreign capital investment in USSR territory and Soviet investment abroad, as well as in non-trade settlements made by juridical persons. It will be adjusted by the USSR Gosbank in the light of changes in the value of the leading western currencies and other factors.

With effect from 1 January 1991 all enterprises and organizations which are juridical persons under Soviet law were granted the right to buy or sell foreign currency for roubles at the prevailing rate on the currency market

when conducting currency transactions in USSR territory involving inter-bank operations, operations on currency exchanges or auctions.

V. A USSR Act on currency regulation was passed in March 1991. The Supreme Soviet of the USSR is at present considering a series of other important bills on economic matters, in particular "General principles of entrepreneurship in the USSR", a "schedule of customs tariffs of the USSR", a draft Customs Code of the USSR and "fundamental legislation on foreign investments in the USSR".

B. Changes in tariffs and tariff preferences

More powerful economic measures for regulating foreign economic activity, which are intended to become the State's chief regulatory tool, are becoming especially important as economic reform in the USSR proceeds. Such measures include, first and foremost, customs tariffs. The Supreme Soviet of the USSR has adopted in first reading a draft USSR Customs Code and a USSR bill on a "schedule of customs tariffs". Both are expected to pass in the very near future.

The USSR Customs Code establishes the principle that customs in the USSR should be organized on the basis of a single customs territory and uniform duties and levies, and seeks to ensure that customs and other State bodies, and likewise enterprises, organizations and individuals, observe their rights and obligations in customs matters.

For the first time, the schedule of customs tariffs in the USSR is to be given the force of law. The bill on the subject establishes a procedure for the design and application of the schedule of tariffs as a system of customs duties applicable to goods and other articles imported into and exported from the USSR, and regulations for the imposition of duty on such goods and articles.

The bill, if it becomes law, will apply to a single USSR customs territory. The schedule of tariffs is constructed in conformity with internationally recognized standards and principles and is based on the Harmonized System nomenclature. The draft schedule contains 5,019 tariff lines and comprises an introduction laying down standards, principles, regulations and the structure of the schedule; a systematized list of goods indicating imposable duty; and a procedure for establishing a preferential régime for goods from developing countries and the preferential rates imposable under the schedule.

The schedule takes the form of a table giving a numerical code for each kind of good; a second table giving the nomencature for each commodity line; a third showing the minimum duty imposable (first column) and a fourth showing the maximum duty imposable (second column). The minimum rates apply to countries which afford the USSR most-favoured-nation status, the maximum rates, to countries which do not. The minimum rates are calculated with reference to the difference between import and current domestic prices based on the commercial rate for the rouble.

C. Non-tariff measures

I. In accordance with the presidential decree of 2 November 1990 on "special arrangements for the use of foreign exchange resources in 1991", authority for the establishment of export and import quotas and licences is being transferred to the Union Republics in 1991. The number of goods subject to quotas and licences at the Union level is being substantially reduced. The remaining items form a limited collection of goods of State-wide significance (oil, gas, gold, diamonds and precious stones, and special purpose technology).

II. As the number of entities involved in foreign economic relations has grown, significant differences between world prices and domestic prices in the USSR have become more apparent. To bring prices for imports and home-produced goods into line on the domestic USSR market, an import tax for 1990 was introduced with effect from 1 June 1990. Decision No. 27 of the USSR Council of Ministers, dated 10 January 1991, imposed taxes on exports and imports which enterprises, associations and organizations must pay to the Union budget, beginning on 1 January 1991. These are calculated as a percentage of the foreign trade (contract) value of the goods concerned, converted into roubles at the USSR Gosbank commercial rate. The taxes may be corrected to allow for changing circumstances on the world market and price levels within the country. The taxes on imports and exports are a temporary measure. Their use will be narrowed significantly once pricing reforms have gone through and the new schedule of tariffs has come into effect.

Import taxes have been established for 99 commodity lines. Rates of duty imposable vary from 20 per cent to 1,300 per cent.

Equipment, material and other property imported into the USSR by foreign partners as their share of the capital employed by joint enterprises and international associations and organizations in the USSR are exempt from import duty. Similarly, exemptions apply to goods temporarily imported into the USSR for re-export within a given period unchanged or after repair, and goods imported to be sold for foreign currency in the USSR.

Import taxes paid on goods and other articles imported into the USSR for assembly, reprocessing or processing and subsequent re-export are reimbursable if such goods and articles are re-exported not more than one year after import and evidence is furnished that they were imported and used for the purposes indicated.

Export taxes have been imposed on 17 commodity lines and vary from 5 to 45 per cent. Export taxes are not levied on re-exports.

III. The foundation of the system governing the foreign economic activities of the USSR, including the USSR schedule of tariffs, non-tariff regulatory measures and customs statistics as of 1 January 1991, is the USSR trade nomenclature for foreign economic activities, which is based on the Harmonized System.

IV. For 1991, barter operations have been restricted. The restrictions do not apply to barter conducted as part of direct co-operation in manufacturing and technology or to border trade.